From: "Allen Hardester" <ahardester@comcast.net> on 12/25/2005 02:40:03 PM

Subject: Interagency Guidance on Nontraditional Mortgage Products

12.25.05

Gentleman:

This communication is to respond to the interagency Press Release issued by the Office of the Comptroller of the Currency. et all on December 20, 2005. Wherein comment is requested on all aspects of the Guidance I submit the following.

The over-all tone of the aforementioned Release is that the Mortgage Banking industry has joined the Axis of Evil and has lead the American consumer to the brink of financial demise. Compared to the sins of the FHLMC and the FNMA the mortgage banker and broker more resembles Saint Peter rather than some "snake oil salesman."

I find it remarkable that the Background section in the Supplementary Information preamble fails to mention that residential mortgage loans that carry the potential of "neg-am" and interest only payments have been underwritten on the West Coast for over forty years by institutions to include Golden West Savings Bank of California. A search of the corresponding literature shows no serious financial mortgage defaults from said specific relevant mortgage holders that justifies the "chicken little" horror story painted by the Release.

Given that the traditional thirty year fixed loan has lost much of its "luster" perhaps this is the Interagency Board to the rescue of the GSEs. It is odd that billions of the Nontraditional Mortgage Products have been funded and Wall Street, the GSEs, portfolio lenders and mortgage bankers alike still promote such products every day.

Yet I do agree prudent underwriting of all classes of borrowers need to be in evidence when a request for a mortgage loan be granted. However, I do wish to point out that the reliance on credit scores are just as much a tool of destruction as they are a tool for justification.

Credit scores presented by the various repositories are generally inaccurate due to false information, old information, lack of updating and failure to do proper research when a dispute is filed to properly resovle the issue at hand. The Fairbanks positing of bogus mortgage information still "haunts" many consumers today.

This is why credit scores can vary by as much as 100 points between respositories.

Hence underwriting implied by the "Guidance" must reflect the true financial position of the borrower not just some convenient score and a general appraisal of the posted collateral applied against an acceptance grid.

There is no "free lunch" today hence I find it hard to believe that a borrower thinks that a below market rate or the potential for "neg-am" is total justification for the acceptance of a mortgage program.

It is not the duty of Government to protect the population from themself.

Yet to conclude I do propose that all ARMs be underwritten at the third year projected interest rate max and to include any and all deferred interest from which the calculation is to be made.

The concept of deferred interest is built into most commercial construction loans and has been a contract feature over the last 25 years. Even the "Donald" does not have the money to fund from "day one" a 90 story office building.

If I were the Government I would be more concerned about unsecured debt that offers teaser interest rates, requires no collateral, charges rates far beyond than the average consumer loan and has a questionable debt to income standard.

Housing has carried the economy for the last seven years--what is your problem?

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